FEDERAL RESERVE BANK OF PHILADELPHIA

CASCADE: NO. 88, SUMMER 2015

# The Rise and Fall of Philadelphia's Commercial Corridors[*]

By Richardson Dilworth, Ph.D., Associate Professor of Political Science and Director of the Center for Public Policy, Drexel University, Philadelphia

In her classic *The Death and Life of Great American Cities*, published in 1961, Jane Jacobs argued that the "basic requisite" for maintaining safe cities was "a substantial quantity of stores and other public spaces sprinkled along the sidewalks of a district.... Stores, bars and restaurants, as the chief examples, work in several different and complex ways to abet sidewalk safety."[1] In this article, the case of Philadelphia is used to explore the extent to which such neighborhood commercial corridors live up to their promise of maintaining public order and city civility, what factors make these corridors neighborhood assets rather than liabilities, and how a city might make more use of its corridors, especially in lower- and middle-income areas.

The Philadelphia region, especially the city proper, is rich in the districts Jacobs lauded: pedestrian-oriented, storefront retail corridors integrated into the surrounding neighborhood. The Philadelphia City Planning Commission (PCPC) has officially counted 265 "retail centers" in the city, ranging from those in the central business district with millions of square feet of leasable space, to suburban-style shopping malls, to block-long neighborhood corridors.[2] In 2002, 42 percent of these corridors were of the traditional pedestrian-oriented variety, with the rest being either auto-oriented or a mix of auto- and pedestrian-oriented, and 75 percent were neighborhood centers with 10,000 to 120,000 square feet of leasable space.

Not all traditional corridors are an asset to their neighborhoods. A block of vacant storefronts, take-out restaurants, and check-cashing stores with bullet-proof glass inside, metal roll-down grates outside, and empty upper floors can act as a magnet for crime and serves as a negative advertisement for the surrounding neighborhood. On the other hand, a corridor with a range of complementary businesses with attractive window displays, where merchants and property owners have pooled their resources to provide amenities such as street banners, furniture, street cleaning, or security, will attract street traffic and act as a deterrent to crime, will increase local shopping and employment opportunities, and can serve as an incubator for local entrepreneurs.

## The Tragedy of the Commons

Commercial corridors rise and fall with their neighborhoods. As one Urban Land Institute (ULI) report stated, "Where residential growth and revitalization is occurring, retail is primed to follow; it simply will not occur the other way around."[3] Yet, even in the midst of residential revitalization, neighborhood corridors can lag. Unlike shopping malls where a single owner provides all the common-space features, corridor merchants and property owners must voluntarily cooperate with one another to pool their resources to provide extra street amenities. Even when they receive external funds, such as through the Community Development Block Grant program, there needs to be enough cooperation among corridor stakeholders that they can mutually agree upon a strategy to responsibly spend those funds. Corridors are thus susceptible to the "tragedy of the commons," an economic theory in which individuals are so intent on reaping personal benefits from a resource that they neglect the best interests of others who also need this resource. This dynamic is discussed more often in the context of natural resources, such as grazing lands or water aquifers, but applies equally as well to neighborhood retail centers.

As long as enough merchants and property owners join together to pool their resources and provide corridorwide amenities, other merchants and property owners have an incentive to misrepresent their preferences, claim that they do not want those amenities, and refrain from contributing any resources, since they will benefit regardless. Of course, since all merchants and property owners will realize that they can catch a free ride in this fashion, no corridorwide benefits will ever be realized. This tragedy-of-the-commons dilemma is one of the more likely explanations for the failure of most corridors in Philadelphia to organize viable business associations (which, as voluntary organizations, require little resources), and this theory suggests the likely futility of the PCPC's stated goal in its Philadelphia2035 plan of encouraging the establishment of more business associations in neighborhood corridors.[4]

Merchants, property owners, and other stakeholders can overcome the organizational dilemmas that prevent voluntary cooperation in commercial corridors by establishing business improvement districts (BIDs) that have the authority to levy mandatory assessments on properties.

Whether BIDs can work in lower-income communities is an open question. Of the 12 BIDs that have operated at one point or another in Philadelphia, the two that covered the lowest-income territories — in the neighborhoods of Germantown and Frankford — have had the spottiest records. The Frankford BID was founded in 1995, disbanded in 2005, reestablished in 2007, and then disbanded again in 2011. Similarly, the Germantown BID was also established in 1995, then disbanded in 2011, but it was recently reestablished.[5]

BIDs have the best chance of transforming corridors in lower-income areas if they have sizable territories that encompass multiple neighborhoods and retail clusters, especially if there is the potential to link those retail clusters. BIDs that cover multiple retail clusters have the ability to redistribute resources to lower-income areas, providing a more uniform brand and image to a larger commercial area and potentially expanding the commercial footprint itself. In many lower-income neighborhoods, individual retail clusters are small and simply don't have the financial capacity to support a BID. Consequently, linking neighboring clusters to establish a BID — an admittedly daunting task that requires partnerships between community-based organizations from different neighborhoods (which might be made easier with the help of citywide organizations or government agencies) — is crucial.

In Philadelphia, the most successful BIDs, namely those that cover Center City and City Avenue, comprise multiple neighborhoods and sometimes multiple retail clusters; however, they are also the hardest to organize because a rethinking of traditional boundaries is required. The Center City District (CCD) covers 120 blocks and has an annual budget of more than $20 million.[6] The City Avenue Special Services District (CASSD) is much smaller, covering a single road for three miles, yet it has the second highest budget of any BID in Philadelphia, at approximately $1.4 million.[7] Similarly, the University City District (UCD), which, while performing many of the functions of a BID, is actually a nonprofit that receives money voluntarily from participating businesses and institutions and comprises a wide territory (2.2 square miles) that includes multiple commercial corridors that serve low-, moderate-, and upper-income residents.

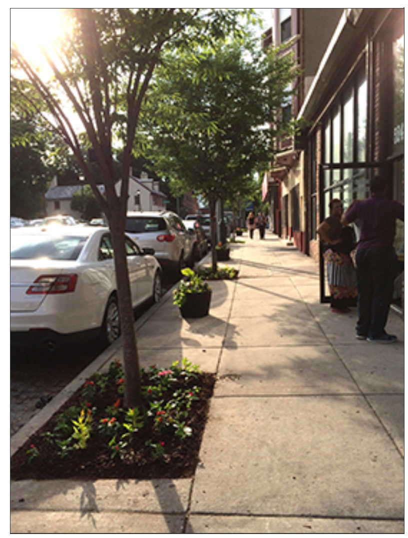
The CASSD is unique, both in the city and nationally, because it has a territory that spans two municipalities: the City of Philadelphia and Merion Township in Montgomery County. One other such BID was legally established to span the border between Philadelphia and Cheltenham Township, also in Montgomery County, thus including a moderate-income neighborhood on the Philadelphia side. The BID was never implemented, however, in large part because of the resistance of Philadelphia-side merchants and other stakeholders. Although difficult to establish, BIDs that cross municipal borders have the potential to fundamentally redefine the meaning of the city–suburban divide.

In contrast to the CCD, the CASSD, and the UCD, most Philadelphia BIDs comprise relatively small territories that are defined by a single commercial corridor. In a city with a dense building stock where many of these corridors are close to one another, this seems a lost opportunity. A case in point is Germantown Avenue, which extends approximately eight miles through five distinct neighborhoods, from one of the poorest to one of the wealthiest in the city, and which is covered by three separate BIDs in three consecutive neighborhoods (Germantown, Mount Airy, and Chestnut Hill). If the separate sections of this extensive corridor were able to share resources through a single BID, Germantown Avenue might be better poised to market its substantial assets, coordinate events, and create a brand for itself that transcends individual neighborhoods, while providing these neighborhoods with a richer resource. As suggested previously, the political and organizational hurdles to such an unprecedented consolidation are daunting, but the goal is certainly at least worth thinking about, especially since it would address a typical critique of BIDs — that they are simply a means of capturing local tax capacity for the exclusive use of wealthier communities.

### Business Incubators

**Tree planting near the intersection of Germantown and Chelten Avenues in Philadelphia helps beautify a busy commercial corridor.**
Photo Credit: Aine Doley

Another as-yet unrealized opportunity is the potential for neighborhood corridors to serve as business incubators. Nascent retail entrepreneurs can take advantage of the relatively low rents in neighborhood corridors; however, some entrepreneurs, especially those with the most novel and thus untested concepts, may often be dissuaded by multiyear, triple net commercial leases. In such leases, the tenant is responsible for paying the property tax, building insurance costs, and maintenance costs in addition to paying rent. To fill empty spaces, one option that came into some prominence during the Great Recession is "pop-up" retail leases — short-term leases for retail spaces that are effectively used more for marketing purposes. One variant — pop-up beer gardens on vacant lots and other underutilized spaces — has become quite popular in Philadelphia over the past several summers. It is an open question for the city, however, whether the pop-up concept can foster new forms of commerce beyond novel locations for selling beer, for example.



**Tree planting on Germantown Avenue in Philadelphia has made the commercial corridor more attractive to shoppers.**
Photo Credit: Aine Doley

Pop-up retail space could potentially enhance a corridor's retail mix, bring new stakeholders to the corridor, and attract new categories of shoppers, but short-term leases are administratively cumbersome and labor intensive, as is establishing a pipeline of short-term retailers, and rapid turnover limits the ability to tailor spaces for different uses. Yet in most instances, on most corridors, the potential for institutionalizing a system of pop-up retail has not even been tested. A larger neighborhood commercial governance network of BIDs could help to institutionalize pop-up retail, determine its potential profitability for both realtors and property owners, and provide new opportunities for a cadre of as-yet unrealized neighborhood entrepreneurs.

There is hardly a shortage of recommendations for neighborhood corridor development. For instance, the previously quoted ULI report emphasizes, among other things, the importance of leadership, a clear vision for corridor development that has wide support, pedestrian-friendly amenities, a stable and hopefully growing surrounding residential neighborhood, adequate parking, a well-managed retail mix, and a decent supply of office space with desirable tenants, such as lawyers, doctors, and other professionals.

Bigger BIDs that cover an economically diverse area, for which a dense city such as Philadelphia has a somewhat unique opportunity, and a vision, where appropriate, that includes pop-up businesses specifically as an incubator function to foster new retail ideas are two more recommendations that can be added that might make neighborhood corridors more significant assets in citywide economic development. To accomplish this goal, neighborhood corridors would most likely need help from citywide organizations and government agencies to overcome tragedy-of-the-commons-type dilemmas, among both stakeholders within specific corridors and neighborhood organizations in separate but neighboring corridors. The ultimate goal, and still a worthy one after half a century, is to realize Jane Jacobs's ideal of cities that are sustained by the vibrancy and dynamism of their streets.

*For more information, contact Richardson Dilworth at 215-895-2471 or rd43@drexel.edu or visit www.drexel.edu/publicpolicy/.*

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* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

1 See Jane Jacobs, *The Death and Life of Great Cities*. New York: Vintage Books, 1961, p. 36.

2 The PCPC produced *Philadelphia Shops* reports in 1989, 1996, and 2004. A more current report, *Commercial Corridors: A Strategic Investment Framework for Philadelphia*, was created in 2009 and updated in 2014 by the Econsult Corporation for the Philadelphia affiliate of the Local Initiatives Support Corporation. The report is available at http://ow.ly/Mu4cm .

3 Michael D. Beyard, Michael Pawlukiewicz, and Alex Bond, *Ten Principles for Rebuilding Neighborhood Retail*. Washington, D.C.: Urban Land Institute, 2003, available at http://ow.ly/NiexX .

4 See the PCPC's *Citywide Vision: Philadelphia2035*, 2nd edition, June 2011, p. 69. Business associations are also discussed more specifically in some of the PCPC's Philadelphia2035 district plans. For instance, the Central Northeast District Plan calls for the establishment of a business association for the Cottman–Roosevelt Boulevard Regional Center.

5 For more information about Philadelphia's BIDs, see the special issue of the *Drexel Law Review* on that topic, available at http://ow.ly/NCIEj, and the Philadelphia Commerce Department's *Starting a Business Improvement District in Philadelphia*, available at http://ow.ly/Nrmd9 .

6 See the *2013–2017 Plan and Budget for the Center City District*, available at http://ow.ly/NrsdX .

7 See the City Avenue District's five-year report (2008–2013), available at http://ow.ly/Nrtnn .

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CASCADE: NO. 88, SUMMER 2015

# Message from the Community Affairs Officer

By Theresa Y. Singleton, Ph.D., Vice President and Community Affairs Officer

From the coffee shop where we buy our morning latte to the dry cleaners where we drop off our laundry, small businesses play an important role in our day-to-day lives. They also play a significant role in our local economies, providing the jobs and commerce that are central to the functioning of our communities. In this issue of *Cascade*, we share a series of articles that highlight the role of small businesses and examine the lessons learned from efforts to revitalize commercial corridors.

Theresa Y. Singleton, Ph.D., Vice President and Community Affairs Officer

Our lead article by Richardson Dilworth traces the evolution of commercial corridors in the city of Philadelphia. In addition to a quick history lesson, the author offers some examples of innovative uses of commercial space to promote economic vitality in local neighborhoods.

Two other articles in this issue highlight the broad range of efforts and investment that are needed to promote commercial corridor revitalization. In an article that describes the Local Initiatives Support Coalition's national MetroEdge program, the authors remind us that sometimes the smallest investments can bring about significant improvements. Efforts ranging from installing clear and colorful signage to simply encouraging routine street cleaning can have a powerful impact, bringing much needed attention and investment to a neighborhood.

In most cases, financial resources are key to turning a community or a commercial district around. Our article on the city of Allentown presents perspectives from four leading stakeholders in the Allentown Neighborhood Improvement Zone. This improvement effort provides tax incentives to developers to encourage revitalization in downtown Allentown and along the city's waterfront. These leaders share their insights on the progress that's been made in Allentown as well as give their thoughts on how downtown development can benefit neighborhood residents.

Fostering entrepreneurialism and small business development can be an effective community and economic development strategy. In *Spotlight on Research,* Marty Smith reviews an article that examines the role small businesses can play in driving a retail restructuring campaign in the Fort Greene community in Brooklyn, NY. In another article, the Kauffman Foundation provides additional examples of the power of small businesses in generating jobs and promoting economic vitality.

Together, these articles remind us of the opportunities presented by small businesses and commercial corridors in our communities. Gaining a broader understanding of how they operate and what they need to flourish will help not only the individual small business owners but also the very communities in which they are rooted.

FEDERAL RESERVE BANK OF PHILADELPHIA

# Revitalizing Commercial Corridors: Lessons from LISC MetroEdge[*]

By Helen Dunlap, Community Economic Development Consultant, and Carl Vogel, Communication Consultant, LISC MetroEdge, Chicago

In many low- and moderate-income communities, existing retail strips are underutilized or a shadow of their former selves, with vacant storefronts and a limited range of goods. Coordinated efforts by community-based organizations, local business owners, and municipal partners can create conditions to revitalize these strips and to spur economic growth by upgrading the physical surroundings, supporting existing businesses, attracting new stores, and improving the reputation of the community as a place to shop. As businesses grow, they provide a wider array of retail options to residents, add jobs in the community, and serve as well-maintained physical anchors, improving the use of public space in the neighborhood. Equally important, the process of working to improve the commercial corridor contributes to an overall increase in civic participation and strengthens the sense of community.[1]

MetroEdge, a program of the Local Initiatives Support Corporation (LISC),[2] strives to develop such commercial corridors and stimulate economic growth. MetroEdge was started nearly 20 years ago by the former ShoreBank in Chicago[3] to gather and analyze local economic data to illustrate unmet commercial demand in low-income neighborhoods and to serve as a tool to attract retail investment. MetroEdge uses national and local data from sources such as Nielsen, Esri, and PolicyMap to help communities craft strategies for commercial corridor revitalization, often as part of larger community revitalization efforts.[4]

In LISC MetroEdge's Corridors of Retail Excellence (CORE) program, one or more members of MetroEdge's experienced team of national economic development consultants work with local LISC offices and their community partners to cultivate viable commercial corridor development strategies in local low- and moderate-income neighborhoods. The consultants collect and analyze the data and provide expertise and advice on commercial corridor strategies and programs, including framing the information and engaging in an interactive dialogue with the local stakeholders to find collective, practical strategies. The CORE program identifies early action projects and helps launch development initiatives. The program has helped communities attract new businesses, boost sales for existing local retail stores and restaurants, bring in new resources, exercise more control over their economic futures, and integrate these efforts with larger community development strategies.

Since MetroEdge became part of LISC in 2006, the program has operated in 50 communities in 16 cities across the country.[5] LISC MetroEdge analysis of CORE projects has identified lessons for increasing retail sales, improving tenant mix and occupancy rates, building a corridor organization's administrative capacity for ongoing success, and improving the physical environment of both public space and private property. Following are five key insights from the CORE program.

### Pay Attention to Threshold Elements

MetroEdge has operated in communities with vastly different demographics, market assets, political environments, and local capacities. Even with CORE's targeted technical and financial resources, however, not all corridors can be revitalized, nor can they reach the level of MetroEdge's most successful partnerships. Dissection of these case studies led to the following list of local conditions that should be in place before corridor revitalization efforts with the CORE model can be successful:

- **Minimum Density:** Ideally, convenience markets surrounding targeted corridors need a minimum density of 5,000 households per square mile.
- **Accessibility:** Corridors must be easily accessible by car and public transit.
- **Safety:** Residents of the target market should feel safe driving, walking, and living in the area. The corridor should project a sense of safety for business shoppers.
- **Existing Retail:** Some concentration of fully operating retail must be present as a starting point. This may consist of an intersection with an anchor institution and related commercial uses, for instance, or it could be a block or more of small stores and restaurants.
- **Capacity:** An engaged, competent staff dedicated to corridor work at the community level is essential to facilitate the process, define priorities, and champion implementation of agreed upon strategies. Staff members will typically be housed at a community organization, a business development entity, or a business improvement district.

For many CORE projects, MetroEdge works with sponsor partners such as PNC Bank, Citi Foundation, the John D. and Catherine T. MacArthur Foundation, JPMorgan Chase, and Goldman Sachs, which provide grants and insight into local conditions based on long-term experience in the communities. These insights helped to identify which corridors met the threshold elements, as well as local strengths and needs. MetroEdge's experienced community economic development practitioners also found, however, that, with additional resources and the possibility of a longer time horizon, CORE could support less "ready" sites.

### Don't Wait to Get Started

Much can be accomplished in a relatively short period. In fact, MetroEdge consultants typically avoid calling the process "planning," which can leave community organizations and residents who have been subject to many rounds of plans without any discernable results leery and guarded. CORE aims to produce high-impact, low-cost benefits to the corridor typically in 12 to 18 months.

For example, in Pittsburgh's working-class Mount Washington community, the stores on Shiloh Street had been unable to capture much business from people visiting the neighborhood for its spectacular views of the city. Therefore, to strengthen Shiloh Street as a destination, the LISC MetroEdge program guided the Mount Washington Community Development Corporation to create a mix of promotional materials, including a mobile business directory smartphone app with an interactive map and business directory brochures to distribute at nearby tourist spots.

The program also paid for bold storefront signs that lure visitors — for example, a jewelry store now has a vivid red sign with a ring and reads "Jeweler" and a bakery sign displays a huge cupcake. Surveys found that 78 percent of the respondents reported that the signage encouraged them to walk from the overlook to Shiloh Street's retail section, and pedestrian counts increased by more than 30 percent following the installation of the signs. These very tangible results were implemented in under six months — from planning to production.[6]

### Use "Soap and Water" to Clean Up Neighborhoods

Projects focused on public safety and clean-up are quick, often inexpensive, and have a big impact. People's perception of a place plays a major role in determining whether they will stop and shop. Even a well-stocked, clean store with fair prices will find it harder to attract customers when it is located in a retail environment that is uncared for, seedy, or considered dangerous.

In communities such as Back of the Yards in Chicago and Vernon Central in Los Angeles, commercial corridor revitalization started with "soap and water" projects: installing new trash cans, organizing community clean-up days (including local vacant lots), and/or painting murals on empty walls. These projects not only make the street a more appealing place but also unite local stakeholders and create momentum for an ongoing campaign.


**With a grant from PNC Bank, LISC MetroEdge paid for simple, bold storefront signs for a section of Pittsburgh's Shiloh Street while working with the Mount Washington Community Development Corporation.**
Photo Credit: Mount Washington Community Development Corporation

### Employ a Comprehensive Approach That Includes Early-Action Projects

There is no one right answer on how to improve a commercial corridor. The assets and needs of Shiloh Street in Pittsburgh are different from those in Vernon Central in Los Angeles. To be nimble, responsive, and effective, plans for those corridors need to be custom built. CORE focuses on targeted and strategic visible improvements that generate momentum and create a platform that will attract both customers and new businesses. For one commercial corridor, that may mean organizing a "storefront stroll" that shows prospective businesses the still-grand assets of a historic street; for another it can be helping existing local firms to forge a stronger relationship with community anchors such as colleges and hospitals; for a third, it may be increasing access to available tools such as microloans or grants to improve façades.

One common theme across the CORE corridors is the importance of an early action project — usually completed within three to six months of the first conversation about corridor revitalization — that can change perceptions and leverage additional investment. Nothing encourages engagement more quickly than seeing the positive impact of one's work. In addition, simply having the resources available for an early action project forces stakeholders to make choices and move to implementation, rather than to simply continue abstract discussions.

In Philadelphia's Fishtown neighborhood, for instance, a model block program on East Girard Avenue got started with an "interactive fence" as an early action project. A simple wooden fence that screened a few empty lots between existing stores was erected. Shelves attached to the fence allow artists to display their wares during open-air shows or give diners a place to set down their plates when a food truck is in the neighborhood. The project helped kick off a campaign with local partner New Kensington Community Development Corporation to provide technical assistance to existing businesses on best practices in visual merchandising and storefront improvements.[7]

**An "interactive fence" was an early action project to strengthen the commercial corridor on Girard Avenue in Philadelphia's Fishtown neighborhood.**
Photo Credit: Sam Dolgin-Gardner for LISC

### Identify Retail Lending Opportunities

As visible projects and marketing begin to change the trajectory of a commercial corridor, community-based groups working with local stakeholders can start to look to add new retail businesses, keeping an eye to improving the critical retail mix.[8] In many communities where CORE worked, the process also identified the need for financing. Demand has surfaced for start-up loans, working capital, real estate, and façade improvement loans.

Staff members at local community or business development corporations often reported, however, that they were underequipped to provide or recommend options for business owners, property owners, and entrepreneurs to access needed capital. Forging productive partnerships with local banks and other financial institutions is an essential component of developing a robust corridor development initiative.

### Conclusion

Although the lessons outlined here have been learned through the CORE program, they are applicable in commercial corridor revitalization efforts in low- and moderate-income communities regardless of the circumstances. For a retail strip that has the underlying elements in place, much can be done in the short term without a massive investment in either time or money. Coordination and momentum are key factors in promoting a successful business corridor, which is a critical part of a thriving community.

*For more information, contact Helen Dunlap at 312.953.0637 or hdunlap@hdunlapconsulting.com or visit www.lisc.org/section/ourwork/national/metroedge .*

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* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

[1] See Desiree Sideroff and Chris Walker, "Building Community Through Economic Development: An Evaluation of the Neighborhood Marketplace Initiative," LISC Bay Area, January 2011, available at http://ow.ly/MZToC. This report evaluates commercial corridors in the San Francisco Bay Area.

[2] LISC is a national organization that connects local organizations and community leaders with resources to revitalize their neighborhoods through offices in 30 cities and a rural program.

[3] For background on ShoreBank, see http://ow.ly/NeR4K and https://www.upbnk.com.

4 See LISC, "MetroEdge," available at http://ow.ly/N6M8G.

5 Newark, NJ; Philadelphia; and Pittsburgh are among the cities.

6 See LISC, "Pittsburgh: Mount Washington," available at http://ow.ly/N6HJl.

7 See LISC, "Philadelphia: East Girard," available at http://ow.ly/N6JsC.

8 Larisa Ortiz, "Improving Tenant Mix: A Guide for Commercial District Practitioners," International Council of Shopping Centers, 2014, available at http://ow.ly/N6Qxa.

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**Cascade: No. 88, Summer 2015**

# Are Tax Incentives the Answer to More Job Creation?[*]

By Jason Wiens, Policy Director, and Emily Fetsch and Chris Jackson, Research Analysts, Ewing Marion Kauffman Foundation, Kansas City, MO

You can't discuss job creation without talking about entrepreneurship — and that is a hot topic right now. Television shows such as *Shark Tank* and the film *The Social Network* have elevated the popularity of entrepreneurship in America. Alongside this media and entertainment interest is the explosive growth in college-level entrepreneurship education programs, which have increased from about 250 in 1985 to more than 5,000 in recent years.[1]

But entrepreneurship is not a recent phenomenon. In fact, the risk-taking pursuit of new ideas that is characteristic of entrepreneurs is embedded in the ethos of the American dream. As citizens of the United States, we — like entrepreneurs before us — were brought up to believe that anything is possible with hard work and determination.

Ewing Marion Kauffman, a successful entrepreneur from Kansas City, MO, also believed in the power of entrepreneurship. After starting Marion Laboratories, a pharmaceutical company, in the basement of his home in 1950, the one-man operation grew to a firm with 3,400 employees and more than $900 million in revenues. When it merged in 1989 with Merrell Dow Pharmaceuticals, some 300 people became millionaires overnight.

To help others achieve economic independence through educational achievement and entrepreneurial success, Kauffman founded the Ewing Marion Kauffman Foundation.[2] The foundation pursues the vision of its founder by directing grant making and operations in the areas of education and entrepreneurship. In addition to supporting and developing programs for entrepreneurs, the foundation pursues research that contributes to a more in-depth understanding of what drives innovation and economic growth in an entrepreneurial world.

One of the foundation's most significant findings is that small businesses are not the same as new businesses. Small businesses are certainly important to the economic and cultural fabric of our communities, but, when it comes to job creation, the age of a firm matters much more than its size.[3]

Today, with all the attention given to entrepreneurship, one might assume that the state of entrepreneurship in America is strong. Unfortunately, many factors indicate otherwise. Like the economy as a whole, entrepreneurship took a hit during the Great Recession. But even before the recent economic downturn, the rate of new business creation in the United States was on the decline.[4] This decrease in entrepreneurship has real consequences for the economy.[5] Yet, as policymakers have sought to spur job creation, significant financial resources and time have been invested in a zero-sum game of attraction.

For example, a common way in which many state and local elected officials have sought to create jobs has been to offer special tax incentives to firms[6] that either remain in or move company operations to their jurisdictions.

## Are New Jobs Being Created, or Are Jobs Being Reshuffled?

When states or cities compete for companies to relocate within their boundaries, they most often are competing for companies with *existing* jobs rather than competing for companies that will create *new* jobs.[7] From a macro perspective, this reshuffling or reordering of jobs does little to nothing to increase overall U.S. economic growth.

Take the case of Tesla's "gigafactory." Tesla planned to build a battery production facility, which meant jobs would be created to staff the giant factory, but the company needed to find a place to locate the plant. Selecting a location would happen regardless of the incentives states offered — the incentives would just benefit Tesla by lowering the costs associated with the facility. After a long competition among several states, Nevada "won" with an offer of free land, generous tax abatements, and electricity discounts.[8] In exchange, Nevada received the right to host the factory and the jobs that came with it. Essentially, the jobs were already created; it was just a matter of where the jobs would be located.

In this case, and others like it, the incentives might be credited with attracting the firm, but not the creation of jobs. Some research has added empirical evidence to this observation. In an analysis of an incentive program in Kansas, firms that received the state incentive were no more likely to create new jobs than were firms of a similar size and type that did not receive the incentive.[9] These findings point to the ineffectiveness of incentives in creating new jobs.

In regions where state lines divide metropolitan areas, this type of behavior can have particularly damaging effects, especially when companies move several miles from one side of the line to the other to claim tax breaks.[10] The Kauffman Foundation has witnessed this in its own backyard with the "border war" in Kansas City between Missouri and Kansas.[11] Over the course of several years, these two states spent a combined $217 million in forgone tax revenue to lure companies from one side of the state line to the other.[12] The constant shuffling of jobs between two counties in Kansas and one in Missouri resulted in a net gain of only 414 jobs to Kansas at an estimated price of $340,000 per job.[13]

All told, local governments that compete for jobs by offering incentives to businesses to locate to their cities or states cost U.S. taxpayers an estimated $70 billion[14] annually, and, in addition, these governments frequently miss the real job creators in the U.S. economy — new and young firms.[15]

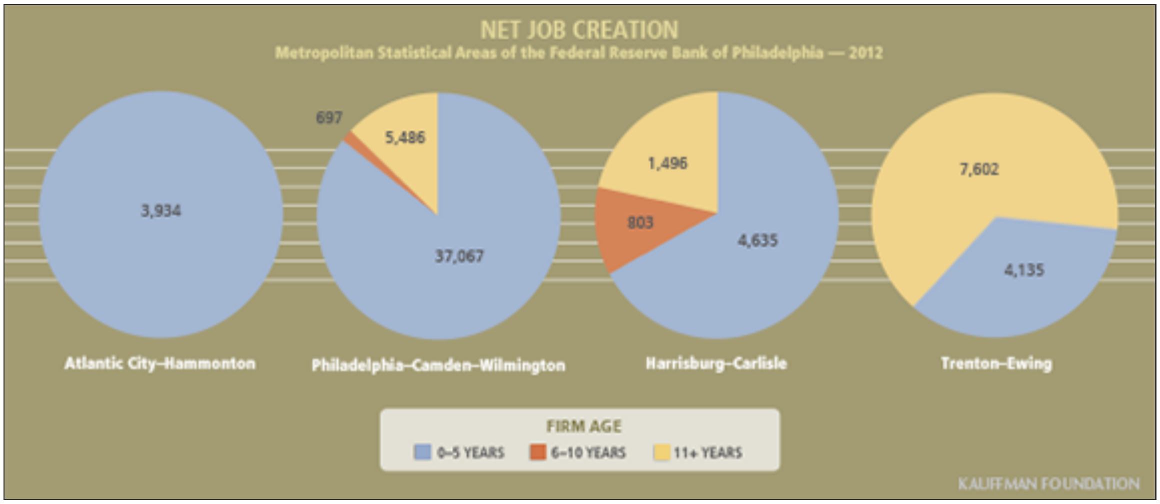
## Are Young Firms the Real Job Generators?

New and young firms are the engines of job growth. Firms in their first five years tend to either fail or become strong contributors to economic growth.[16] This behavior is known as the "up or out" dynamic, where successful companies grow rapidly and others quickly crumble.

Using data from the U.S. Census Bureau, the Kauffman Foundation took a snapshot of job creation in four metropolitan areas surrounding the Federal Reserve Bank of Philadelphia: Atlantic City-Hammonton, Philadelphia-Camden-Wilmington, Harrisburg-Carlisle, and Trenton-Ewing. As Figure 1 shows, compared with older firms, new and young firms are responsible for the overwhelming proportion of net new jobs created. In 2012, firms in business for five years or less created 49,771 net new jobs in these four metropolitan areas combined.

**Figure 1: Net Job Creation by Firm Age in Four Metropolitan Statistical Areas of the Third Federal Reserve**

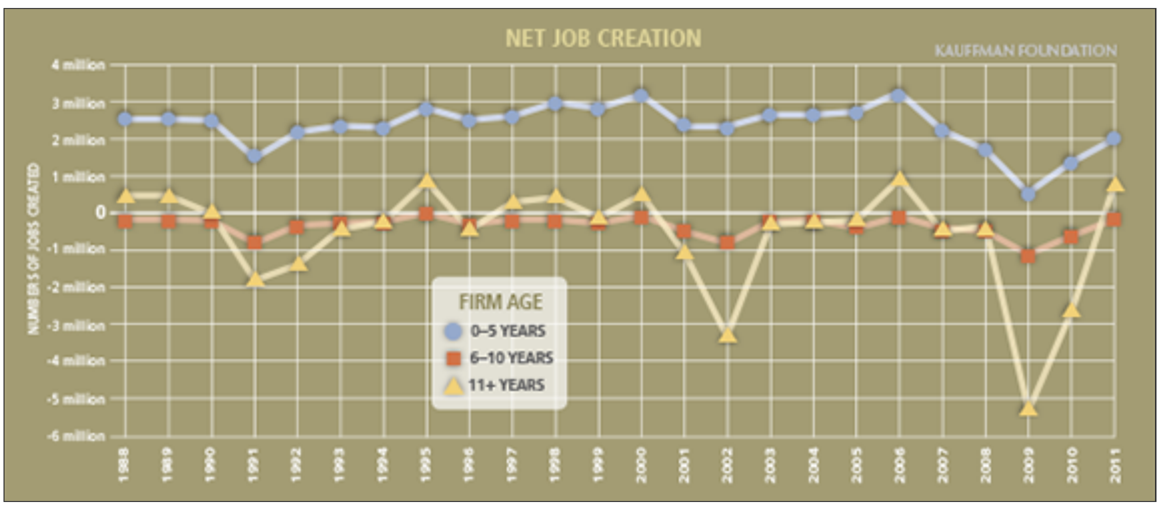
**District in 2012**




**Source: Ewing Marion Kauffman Foundation analysis of data from the U.S. Census Bureau Business Dynamics Statistics**

Not only do young firms create the most new jobs, but in every year since 1988, these firms have been a consistent and positive source of net job creation (see Figure 2 below).

**Figure 2: Net Job Creation by Firm Age in U.S.**




**Source: Ewing Marion Kauffman Foundation analysis of data from the U.S. Census Bureau Business Dynamics Statistics. Previously published in the Kauffman Foundation *Entrepreneurship Policy Digest*, September 25, 2014, available at http://ow.ly/Ocbls**

Young firms also contribute to the economic dynamism of their communities by injecting competition into markets and spurring innovation.[17] These young firms are also more likely to hire the young, talented workers[18] that cities desire.

# What Are Some Alternatives to Tax Incentives?

Some policymakers have expressed a desire to end the practice of tax incentives,[19] but many feel that they are forced to continue with this practice. Until other states and cities abandon the practice, pressure remains to compete for companies that will bring jobs to one's jurisdiction.

The Kauffman Foundation has met with state and local policymakers and asked them how the practice of incentive programs might be improved and to consider alternative strategies that support the creation and growth of firms — new businesses, to be specific — that have proven to create jobs.[20] A few of those alternative strategies are discussed here.

***Let Entrepreneurs In***

Immigrants are more than twice as likely[21] as native-born Americans to become entrepreneurs. Though federal law governs much of U.S. immigration policy, states and cities can welcome immigrants by providing resources and facilitating the formation of networks that support emerging immigrant entrepreneurs.[22] A local entrepreneurial ecosystem with an immigrant presence not only boosts firm formation rates[23] but it also provides industry and individual diversity that make the ecosystem stronger.

Nearly one-third of the immigrants have a college degree or higher. Yet, when applying for licenses or other credentials, immigrants often face the challenge of applying their academic achievements earned abroad to satisfy domestic requirements, contributing to one-in-five highly skilled immigrants being underutilized. States can ameliorate this by developing clear processes for evaluating training, skills, and education earned abroad so that more immigrants can work and potentially start companies in fields related to their education.[24]

For immigrants and native-born Americans, the growth of occupational licensing can pose substantial barriers that have the effect of fencing them out of entrepreneurial opportunities while protecting the already licensed from competition. These barriers can include meeting minimum levels of education, demonstrating competency by passing tests, and paying fees that can exceed $500.

An alternative regulatory structure to licensing, especially for industries that do not pose large public health or safety threats, is certification. For occupations that require workers to be licensed, only individuals who are licensed can legally practice. A system of certification, however, allows any individual to perform the service but recognizes those who have achieved a certain level of experience or education with a state certificate of competency. These certificates can signal to consumers that a professional has a recognized proficiency. A system of certification increases competition and lowers the barriers to entrepreneurial entry.

Certification as a system of credentialing has worked for a number of professions, including car mechanics and travel agents. The body that issues the certification (sometimes a government agency, other times a private nonprofit entity) ensures the quality of the service performed. And the service performed doesn't have to be of a lower quality just because a less strict form of regulation was enacted. Certain professions can function with the same level of customer satisfaction and no extra public safety hazards when the level of occupational regulation is lessened or even removed.[25],[26] States can examine how they currently license professions and discern which ones truly require the rigor of licensing and which can exist without it.

***Let Entrepreneurs Compete***

Regulatory burdens, laws that favor incumbent firms, and tax complexity can all make the entrepreneurial process more challenging. Entrepreneurs need a level playing field on which to compete. Yet, many policies, such as noncompete agreements, can stop or slow their business pursuits.

Noncompete agreements, which prevent workers from moving to a competitor or starting their own entrepreneurial venture based on acquired knowledge, can depress entrepreneurship and limit the number of talented workers[27] who are available to young, growing companies. When workers are able to move between employers or found their own startups, it creates a more fluid labor market that allows workers to better match their skills to their jobs.

Enforcement of noncompete agreements varies by state, with some states, such as California, rarely enforcing these restrictions. Policymakers must ultimately make decisions regarding the degree of enforcement, allowable scope, and duration of noncompete agreements based on their assessment of what is best for their state.

## Why Are Good Measures Important?

When the decision is made to embrace entrepreneurship as a method of economic development, it is important to understand how to measure the success of the new strategies. States and cities consistently express interest in knowing how to measure their entrepreneurship ecosystems, and some have deployed unique and thoughtful methods.[28] When considering the question of what to measure and how, the Kauffman Foundation believes measurement efforts should center on four indicators of entrepreneurial vibrancy[29] — density, fluidity, connectivity, and diversity — which will reveal the strength of the entrepreneurial ecosystem.

*Density* indicates how frequently an entrepreneur will "run into" or come in contact with a fellow entrepreneur. When entrepreneurs are more often in contact with each other, they are more likely to develop innovative ideas that they might not have had if they were working separately. These spillover effects are a benefit to society at a very low cost. Density also refers to the amount of employment within new and young firms.

*Fluidity* refers to the growth of new firms, as well as the ability of workers to find their most productive fit. When workers are able to move from job to job, the quality of matches between workers and jobs improves, and workers see higher wage growth[30] throughout their careers. Additionally, young workers tend to work at younger firms. Since younger workers are more likely to change jobs,[31] both young workers and young firms would benefit from having a more fluid entrepreneurial ecosystem.

*Connectivity* is how intertwined entrepreneurs are with each other and the resources available to them. This measurement includes spinoff rates, which indicate the successive waves of new companies that are created.

Finally, *diversity* refers to the breadth of industries in which new firms exist. No city or state should be overly reliant on one industry. Diverse entrepreneurial ecosystems are more resilient[32] and better able to weather economic downturns.

## Conclusion

Entrepreneurship can be an engine of economic growth by spurring the creation of new and young firms that "punch above their weight" and disproportionately contribute to new job creation. But cities and states need to create an environment through public policy that allows entrepreneurs to enter markets and compete on a level playing field. Through improved regulatory and legal policies, a more welcoming attitude toward immigrants, and better attempts to recognize and measure entrepreneurship, policymakers and elected officials can seize the opportunity that entrepreneurship provides and shift economic growth into "drive," leaving economic development tax incentives behind.

*For more information, contact Chris Jackson at cjackson@kauffman.org or visit www.kauffman.org.*

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

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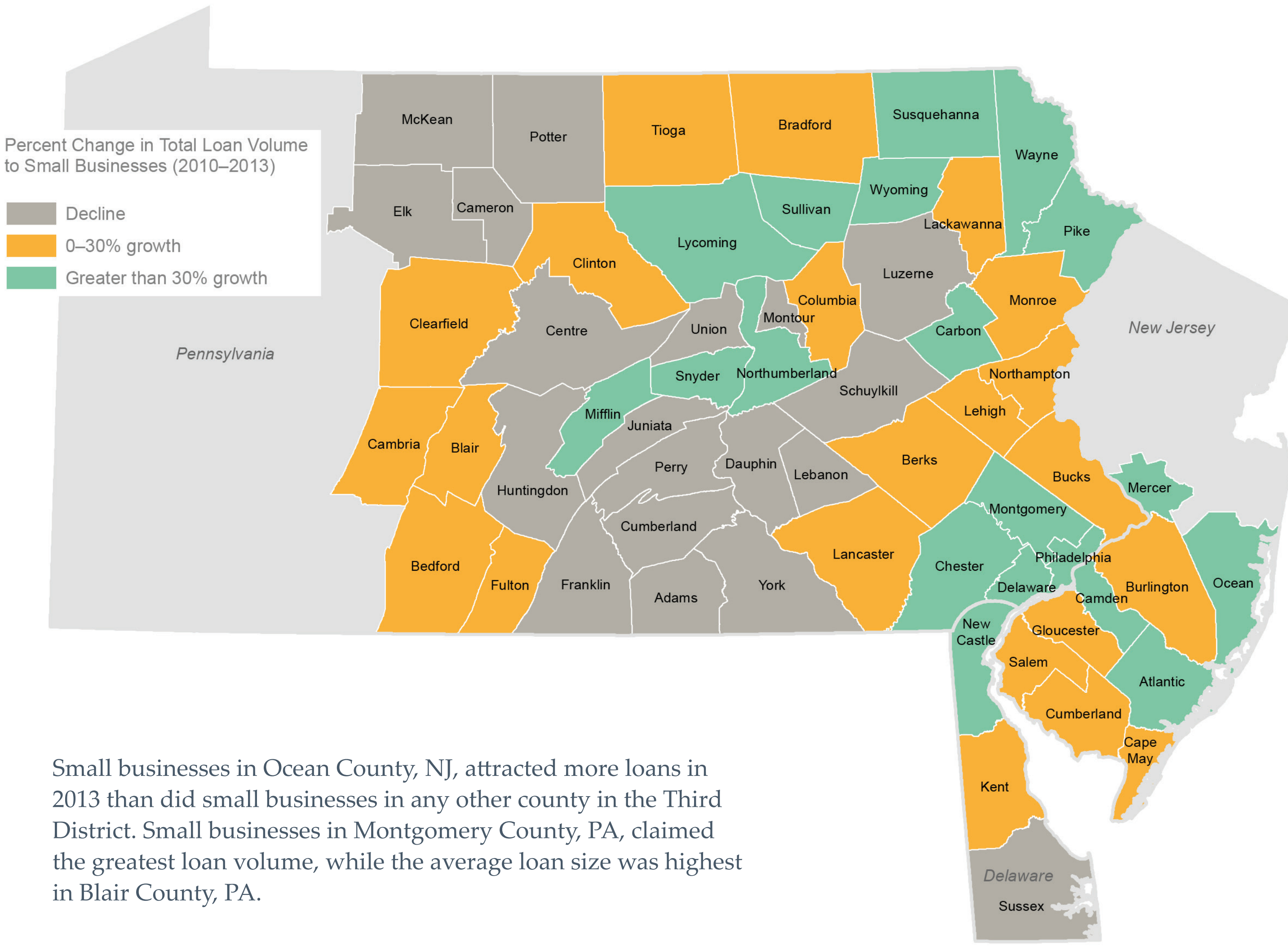
# MAPPING OUR COMMUNITY

## Third Federal Reserve District

KEITH WARDRIP, COMMUNITY DEVELOPMENT RESEARCH MANAGER

### TRENDS IN LENDING TO SMALL BUSINESSES*

Banks subject to the Community Reinvestment Act (CRA) annually report information on their small business lending activity to the Federal Financial Institutions Examination Council (FFIEC). Focusing specifically on loans to businesses with gross annual revenues of $1 million or less, lending in the U.S. over the past 10 years peaked in 2007, had fallen by more than half by 2010, and had risen by 15 percent from this trough by 2013. For the 60 counties in the Third District, total loan volume recovered more robustly between 2010 and 2013 (19 percent), but as the map shows, the recovery was uneven. In some counties, lending to small businesses continued to fall during this period, while in others, particularly those around Philadelphia and in northeastern Pennsylvania, this portion of small business lending increased by more than 30 percent.




Small businesses in Ocean County, NJ, attracted more loans in 2013 than did small businesses in any other county in the Third District. Small businesses in Montgomery County, PA, claimed the greatest loan volume, while the average loan size was highest in Blair County, PA.

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**Note:** For this analysis, small businesses are defined as those with gross annual revenues of $1 million or less. This analysis includes loan originations but excludes loan purchases and lending to small farms. This analysis also excludes small business loans (up to $1 million) if the business had gross annual revenues over $1 million.

**Sources:** FFIEC, CRA National Aggregate Report, Table 1, 2004–2013; author's calculations using FFIEC's 2010 and 2013 CRA Aggregate Flat Files, Table A1-1; Esri, derived from Tele Atlas; U.S. Census Bureau

COMMUNITY DEVELOPMENT STUDIES & EDUCATION

## Loans to Businesses with Gross Annual Revenues of $1 Million or Less (2013)

| | Number of Loans | Total Loan Volume (000) | Average Loan Size (000) |
|---|---|---|---|
| **Delaware** | | | |
| Kent | 732 | $23,541 | $32 |
| New Castle | 3,953 | $122,095 | $31 |
| Sussex | 1,561 | $52,071 | $33 |
| **New Jersey** | | | |
| Atlantic | 1,918 | $65,421 | $34 |
| Burlington | 3,407 | $90,110 | $26 |
| Camden | 3,599 | $121,380 | $34 |
| Cape May | 1,113 | $49,606 | $45 |
| Cumberland | 584 | $20,583 | $35 |
| Gloucester | 1,886 | $58,540 | $31 |
| Mercer | 2,934 | $94,249 | $32 |
| Ocean | 8,999 | $162,874 | $18 |
| Salem | 266 | $7,608 | $29 |
| **Pennsylvania** | | | |
| Adams | 570 | $27,325 | $48 |
| Bedford | 291 | $12,919 | $44 |
| Berks | 2,396 | $105,245 | $44 |
| Blair | 599 | $46,720 | $78 |
| Bradford | 333 | $16,502 | $50 |
| Bucks | 6,664 | $192,638 | $29 |
| Cambria | 735 | $45,140 | $61 |
| Cameron | 33 | $894 | $27 |
| Carbon | 345 | $12,311 | $36 |
| Centre | 960 | $49,312 | $51 |
| Chester | 4,895 | $159,458 | $33 |
| Clearfield | 584 | $33,066 | $57 |
| Clinton | 176 | $7,396 | $42 |
| Columbia | 335 | $14,725 | $44 |
| Cumberland | 1,314 | $55,978 | $43 |
| Dauphin | 1,399 | $65,992 | $47 |
| Delaware | 4,091 | $133,313 | $33 |
| Elk | 206 | $9,309 | $45 |
| Franklin | 701 | $39,933 | $57 |
| Fulton | 85 | $4,067 | $48 |
| Huntingdon | 157 | $6,085 | $39 |
| Juniata | 116 | $3,248 | $28 |
| Lackawanna | 1,660 | $86,441 | $52 |
| Lancaster | 3,986 | $203,160 | $51 |
| Lebanon | 640 | $24,081 | $38 |
| Lehigh | 2,582 | $111,505 | $43 |
| Luzerne | 1,944 | $82,029 | $42 |
| Lycoming | 552 | $28,881 | $52 |
| McKean | 316 | $14,124 | $45 |
| Mifflin | 147 | $7,974 | $54 |
| Monroe | 975 | $31,247 | $32 |
| Montgomery | 8,112 | $286,325 | $35 |
| Montour | 86 | $2,566 | $30 |
| Northampton | 2,166 | $78,132 | $36 |
| Northumberland | 337 | $16,896 | $50 |
| Perry | 166 | $4,711 | $28 |
| Philadelphia | 6,850 | $211,761 | $31 |
| Pike | 384 | $5,894 | $15 |
| Potter | 79 | $3,160 | $40 |
| Schuylkill | 622 | $21,440 | $34 |
| Snyder | 222 | $13,327 | $60 |
| Sullivan | 21 | $771 | $37 |
| Susquehanna | 359 | $17,468 | $49 |
| Tioga | 262 | $14,625 | $56 |
| Union | 183 | $6,839 | $37 |
| Wayne | 262 | $6,737 | $26 |
| Wyoming | 272 | $16,356 | $60 |
| York | 2,158 | $92,165 | $43 |

FEDERAL RESERVE BANK
OF PHILADELPHIA

**CASCADE: NO. 88, SUMMER 2015**

# Deep Tax Incentives Fuel $1 Billion in New Development in Allentown, PA: Four Perspectives*

Walking down one of Allentown's main commercial corridors, Hamilton Street, is much different today than it was at this time last year. The city, which endured decades of decline as businesses moved away from the downtown area, is now undergoing an impressive renaissance. Allentown has experienced significant redevelopment, largely driven by the formation of a Neighborhood Improvement Zone (NIZ). Storefronts that were vacant for years are now occupied and businesses are moving back to the city.

### The NIZ and Other Legislation

Pennsylvania State Senator Patrick Browne drafted legislation that was enacted in 2009 to create an NIZ to offer tax incentives to developers to encourage revitalization in downtown Allentown and along the city's waterfront. The NIZ covers approximately 128 acres in the city's Riverfront district and promotes revitalization by permitting state and local tax dollars generated by the businesses locating there to be used by developers to offset debt service associated with qualifying development projects. It is estimated that the NIZ has generated over $1 billion in new development. A focal point of the redevelopment has been the construction of the PPL Center, an 8,500-seat hockey arena located in the heart of the city's central business district. The center, which opened in September 2014, is home to the Lehigh Valley Phantoms (the Philadelphia Flyers farm team) and also serves as a venue for concerts and other activities.

Allentown was the only city in Pennsylvania to meet eligibility for the NIZ designation. In 2013, a second law was passed creating a City Revitalization and Improvement Zone (CRIZ) program. Although this program provides less generous tax incentives, its purpose is to encourage revitalization in other cities in the Commonwealth. CRIZ designations have since been awarded to Bethlehem and Lancaster.

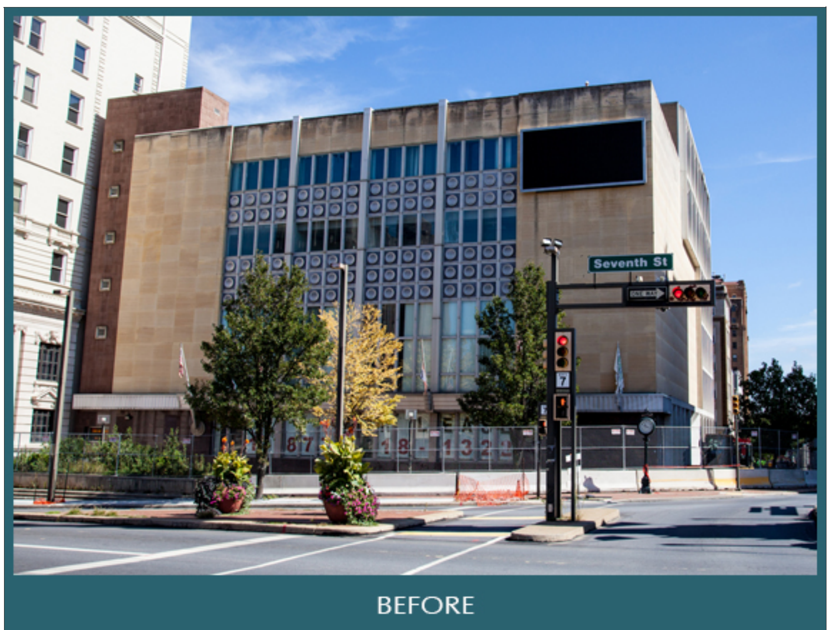
BEFORE

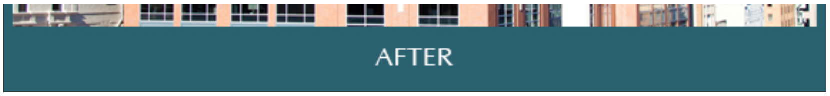

**The PPL Center complex is one of several major projects developed in downtown Allentown, PA, with state and local tax incentives provided in a state-designated Neighborhood Improvement Zone. The mixed-use complex includes an 8,500-seat hockey arena and entertainment venue, a 200,000-square-foot office building, several restaurants, and a 170-bed hotel.**
Photo Credit for "After" Image: Peter Gourniak

### Other Positive Changes in Allentown

This redevelopment has yielded other positive changes in Allentown's central business district and its surrounding neighborhoods. Eight companies have come together to provide $550,000 in annual funding for each of the next six years through the Neighborhood Partnership Program (NPP), a Pennsylvania state tax credit program. The NPP funding will be used for a variety of initiatives, including revitalization of the neighborhoods around the central business district and support for a new public high school geared toward experiential learning and problem solving and developing career pathways. The high school, Building 21 Allentown, which is modeled after Building 21 in Philadelphia, will enroll its first freshman class of 150 students in the fall of 2015.

Allentown's story of resilience is extending beyond its commercial corridors. The city is gaining national recognition for its comprehensive community development efforts. In 2014, US2020, a program geared toward mentorship in science, technology, engineering, and math (STEM), selected Allentown as one of seven communities nationwide to receive a grant that will support the Mentor Allentown coalition. The coalition, which is led by the DaVinci Science Center, strives to strengthen STEM mentoring programs for students in grades K-12 in collaboration with the local business community. Also, late last year, Local Foods, Local Places, a federal initiative that promotes local farmers and small businesses and encourages community access to locally grown foods, selected Allentown as one of 26 communities nationwide to participate in its program.




**National Penn Bancshares relocated its corporate headquarters from Boyertown, PA, to Allentown, PA, and became the lead tenant in a new office building that is part of the redevelopment of downtown Allentown. The 11-floor building is almost 300,000 square feet.**

### Collaborative Leadership Central to Allentown's Revival

The success of Allentown's commercial corridor revitalization is largely attributable to collaborative leadership and the partnerships formed between the government and the private for-profit, nonprofit, and philanthropic sectors. Four community development leaders were invited to share insight on the positive trajectory of Allentown's central business district and the broader impact that this revitalization is having on the surrounding neighborhoods. These leaders also highlighted strategies being implemented to ensure that all residents benefit from the economic growth and have access to new jobs and other opportunities.

#### What are the effects of Allentown's downtown revitalization on the surrounding neighborhoods?

#### How could Allentown residents most benefit from the NIZ-inspired development taking place?

#### What workforce development efforts are being made to ensure that residents have job access and opportunity?

#### What are the major challenges and issues that Allentown faces in light of its downtown redevelopment?

#### What "lessons learned" can you share on the use of tax incentives for other smaller cities that want to redevelop their downtowns?

*For further information, contact Donald Bernhard at dmbernhard2@gmail.com ;
Sara Hailstone at sara.hailstone@allentownpa.org or visit www.allentownpa.gov/ Neighborhood-Improvement-Zone ; Alan Jennings at ajennings@caclv.org or visit www.caclv.org ; and Ed Meehan at edward.meehan@pooltrust.org or visit www.pooltrust.org.*

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CASCADE: NO. 88, SUMMER 2015

# Spotlight on Research: The Role of Small Businesses in Commercial Corridor Revitalization[*]

By Marvin M. Smith, Ph.D., Senior Community Development Economic Advisor

Revitalizing the commercial sector in inner-city neighborhoods that have deteriorated is fraught with issues concerning, among others, the appropriate retail mix and location of establishments, as well as the impact of such efforts on residents and consumers. A key decision is who will serve as the prime mover for the revitalization activities. An article by Stacey Sutton takes a slightly unorthodox view by suggesting that small business owners are underexplored stakeholders who could spearhead a retail restructuring campaign.[1] The following is a summary of the case she makes to support this contention.

### Background

Marvin M. Smith, Ph.D.

Sutton points out that some recent studies on commercial revitalization "expound ways that city planners and community development agencies successfully mount local strategies for attracting corporate retail development." But she notes that "neither recent studies of 'bottom-up' nor 'top-down' development adequately examine inner-city commercial revival from the perspective of neighborhood based small business owners (or 'merchants')." To explore the efficacy of the role that small businesses might play, the author relies on "an in-depth study of a predominantly Black and low-income neighborhood in Brooklyn, New York, that during the 1980s and 1990s experienced small business-led retail restructuring." Small businesses and their owners hold a special status in their neighborhoods. Sutton indicates that studies have reported that the neighborhood store is regarded as a community institution, while business owners are considered as revered civic leaders who, "wittingly and inadvertently, influence the politics of neighborhood improvement."

Although the author extols the virtues of relying on small businesses as a key component in commercial revitalization, she does not totally dismiss the role played by conventional institutional brokers (e.g., corporate capital, local government, and community organizations). In fact, her objective is to "rethink commercial revitalization by locating merchants alongside more conventional community development stakeholders that typically wield great decision-making power but often lack knowledge of local small businesses."

### Methodology and Data

Sutton's analysis relies on an in-depth study of commercial revitalization in Fort Greene, Brooklyn. The revitalization efforts in Fort Greene span more than five decades (1950-2005), but the author's examination concerns the practices employed by black merchants during the 1980s and 1990s. Sutton uses information gleaned from various types of interviews coupled with publicly available data. The fieldwork governing the interviews began in October 2004 and lasted for approximately 14 months. The primary data consist of in-depth, face-to-face interviews with 54 small business owners who started their businesses in Fort Greene between 1952 and 2005 and who were still in business at the time of the interview. These interviews, which captured the owners' experiences and insights, were coupled with interviews with community agencies and local elected officials as well as observations at monthly merchant association meetings, community events, and town hall meetings.

The author combined the fieldwork with an analysis of socioeconomic characteristics based on U.S. Census 1970-2000 tract-level data from the Neighborhood Change Database supplemented with national, citywide, and local archival media reports and periodicals. Sutton eschews traditional black-owned establishments, such as barbershops, beauty salons, and funeral homes. Instead, she focuses on a variety of convenience and specialty retail sectors common in urban areas, such as home furnishings, apparel, food and drink, and miscellaneous retail (e.g., bookstore, florist, stationery store, and newsstand). For purposes of analysis, the author classifies the merchants on the basis of their start-up year: "Pioneers" (1950-1979), "Old-Timers" (1980-1999), and "Newcomers" (2000-2005). She concentrates on the 39 "Old-Timers." According to Sutton, the "Old-Timers that arrived during the 1980s fulfilled the unmet demand for convenience shopping and neighborhood-serving goods and services with hardware stores, full-service 'family-style' restaurants, antique shops, small grocery and health food stores, and shoe repair."

### Results

In her article, Sutton details how black merchants spurred commercial revitalization in Fort Greene and fostered "neighborhood reimaging from an area characterized as a Black ghetto to an alluring destination for consumption and entertainment." She also explains "why Old-Timers were particularly vulnerable by the turn of the 21st century."

The author points out two factors that contributed to Fort Greene's downfall. The first factor was the 1968 relocation of the "century-old Fort Greene Retail Meat Market to the more prestigious Brooklyn Heights neighborhood." The second factor was the "1968 decommissioning of maritime manufacturing in the Brooklyn Navy Yard," which "exacerbated local unemployment, housing vacancies, and dilapidation." The resulting changes transformed Fort Greene, which was predominantly minority, into a neighborhood that was disproportionately low-income and where nearly one-third of the residents lived in poverty. Fort Greene was dotted with "abandoned buildings, vacant lots, uninviting storefronts, and undercapitalized businesses."

The seeds for Fort Greene's recovery, however, were present in the diverse composition of retail venues operated by Old-Timers, especially in clothing and design-related establishments. In fact, Fort Greene was dubbed the "Black fashion district." In addition to Fort Greene's reputation in the fashion field, it also gained recognition in the *New York Daily News* for its cafes and restaurants and was characterized as "the heart of New York's black bohemia."[2] The newspaper also suggested that "Fort Greene was the African-American equivalent of Greenwich Village." Nonetheless, according to Sutton, despite the lack of small business bank loans, unfavorable relations with suppliers, or the support of city agencies, "Fort Greene served as an incubator for Black merchants during the 1980s and 1990s." Some of the Old-Timers expanded their businesses beyond the neighborhood boundaries, some even to other states. Some of the Old-Timers were able to offset the lack of traditional financial support by taking advantage of limited competition and low commercial rents in the short term.

The Old-Timers savored their role as community builders, but the paucity of business support services made business expansion challenging. Without assistance in making a business site selection, some of the merchants resorted to reoccupying vacant or underutilized storefronts with new ventures. One set of retail merchants who restructured a previously owned hardware business sought not only to provide reasonably priced goods but also to give back to the community. According to Sutton, these merchants "implemented diverse business strategies that responded to community needs, such as hiring youth from the local housing projects, offering flexible payment plans for senior citizens, and training young men in the building maintenance trade."

Fort Greene received an additional boost when "acclaimed Black filmmaker Spike Lee, who grew up in Fort Greene, returned to DeKalb Avenue in 1990 with the new retail venture 'Spike's Joint.'"[3] Lee's notoriety generated unparalleled foot traffic for the area. Although Lee's retail venture closed within 5 years, his presence "validated Black merchants who preceded and followed him."

Although the Old-Timers were enjoying varying success individually, they recognized that their future accomplishments would be best served if they banded together. Thus, writes Sutton, "in 1992, Old-Timers established the Bogolan Merchant Association as an institutional voice for Fort Greene small businesses routinely excluded from planning and development decision-making processes." The association sought to enrich the business livelihood of its members and serve as a go-between with community development stakeholders.[4] Over time, however, it became difficult to strike a balance between maintaining internal coherence regarding economic and cultural aims, as well as sustaining external political influence. With internal tension among the association's members and the external pressures of a changing environment, the limits of the association were tested. According to Sutton, the "merchants failed to develop mechanisms to sustain their collective vision and advance commercial revitalization."

Sutton emphasizes that "planners and policy makers concerned with inner-city retail should explore the underutilized potential of merchant associations." But she hastens to add that "effective merchant associations must be able to raise capital, beyond membership dues, to facilitate organizational development and subsequently leverage additional external resources to effectively meet their mission to support small business members."

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* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

1 Stacey A. Sutton, "Rethinking Commercial Revitalization: A Neighborhood Small Business Perspective," *Economic Development Quarterly*, 24 (2010), pp. 352-371.

2 Denene Millner, "A Scene Grows in Brooklyn: Fort Greene Has Become a Magnet for the Young, Gifted, and Black," *New York Daily News*, March 9, 1997.

3 Spike's Joint was the merchandising arm of 40 Acres and a Mule Filmworks production company.

4 These stakeholders included city agencies, elected officials, and community groups.